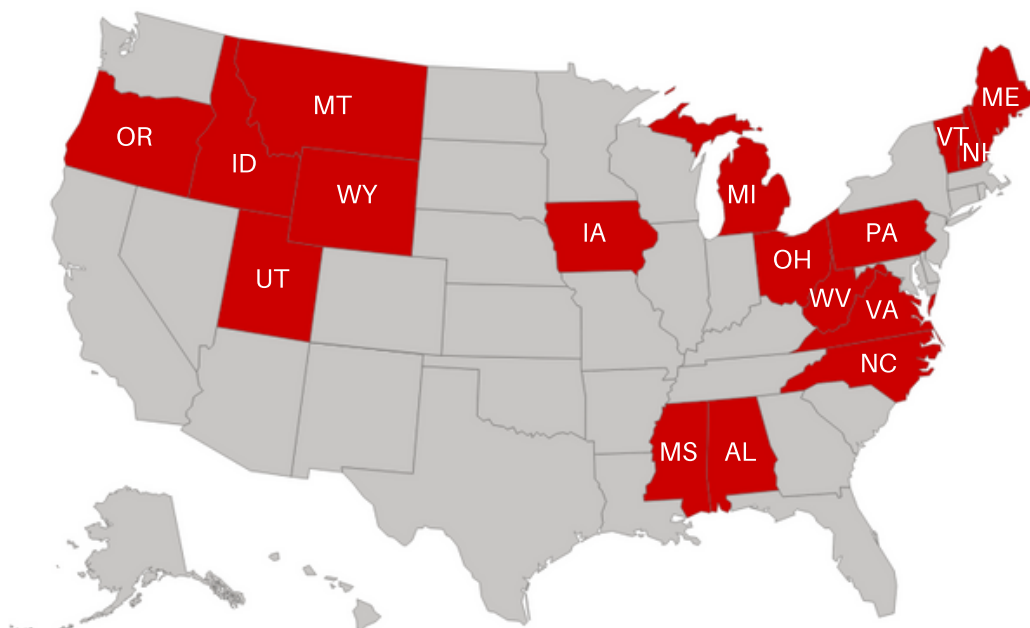


# Understanding the CONTROL STATE SYSTEM

A **control system** jurisdiction establishes the **government is a market participant**, selling alcoholic beverages at wholesale and/or retail levels within its borders. Control jurisdictions typically sell spirits at the wholesale level, however in some cases, jurisdictions may also sell wine and beer. In the United States, there are **17** states and several local jurisdictions in Alaska, Maryland, Minnesota and South Dakota, that operate under the control model (see figure 1)<sup>1</sup>. The control system model was first recommended in the wake of Prohibition, when the 18th Amendment prevented the manufacture, sale and transportation of alcoholic beverages in the United States from 1920 to 1933. In 1933, a study commissioned by businessman and philanthropist John D. Rockefeller to address the ills the country experienced prior to Prohibition produced a report, ***Toward Liquor Control***, which served as a blueprint for states recently granted the authority over regulating alcohol sales within their borders. The report recommended several strategies, with one being the adoption of restrictions for high alcohol by volume (ABV) products, such as spirits. The control system model was one mechanism to mitigate consumption of higher ABV products, along with higher taxes and more restrictions on where they could be sold.<sup>2</sup>

Figure 1: States Operating Under a Control System Model



There are 17 states that follow a control model: Alabama (AL), Idaho (ID), Iowa (IA), Maine (ME), Michigan (MI), Mississippi (MS), Montana (MT), New Hampshire (NH), North Carolina (NC), Ohio (OH), Oregon (OR), Pennsylvania (PA), Utah (UT), Virginia (VA), West Virginia (WV) and Wyoming (WY).<sup>1</sup>

In the Commonwealth of Virginia, spirits are sold by the **Virginia Alcoholic Beverage Control Authority** (Virginia ABC), operating as the exclusive wholesaler and retailer of spirits in the state and following the guidance of the three-tier system. Virginia ABC, acting as the wholesaler, ships spirits to its stores, and those with proper licenses to sell alcohol in Virginia purchase from Virginia ABC stores. Beer and wine, on the other hand, are distributed and sold by private wholesalers and retailers who are licensed by Virginia ABC.<sup>3</sup> (For more information on relationship between wholesalers and retailers, see Virginia ABC's "Three Tier System" white paper.)

In recent years, there has been mounting **pressure to privatize** jurisdictions operating under the control system model, calling for the removal of government from the marketplace whereby all products are sold by the private sector. Privatization is one of several forms of deregulatory efforts of the U.S. alcohol marketplace. In Virginia, there was an attempt by then-Governor Bob McDonnell to privatize the system in 2011, but it was met with strong opposition from lawmakers who thought the proposal would triple the number of retailers selling alcohol. Worries about an increase in alcohol consumption, loss of state revenue and spikes in liquor prices led to decreased support for the measure to the point where the proposal died without a vote nor hearing.<sup>4</sup>

Based on strong evidence that privatization leads to an increase in per capita alcohol consumption, as lawmakers in 2011 feared, the Community Preventive Services Task Force (CPSTF), a nonpartisan, nonfederal panel of public health experts, recommends against the privatization of alcohol sales in areas with current control of retail sales.<sup>5</sup> The CPSTF found that **privatization does not lead to effective prevention** of diseases and injuries that can arise from excessive drinking. Under the control model, jurisdictions can regulate the number of alcohol outlets in given areas, however switching control to private businesses leads to increases in the number of outlet stores seen in jurisdictions. This, in turn, is associated with increases in suicide, assault and violence and a decrease in annual revenue.<sup>6</sup> An increase in the number of stores that sell alcohol does not equate to an increased profit; control states often collect revenue per gallon of spirits that is **more than three times higher** that of non-control states.<sup>7</sup>

## THE COMMUNITY PREVENTIVE SERVICES TASK FORCE

*was established by the U.S.  
Department of Health and Human  
Services to identify public health  
interventions that are proven to save  
lives, increase lifespans and improve  
quality of life.<sup>5</sup>*



There are many other public health and safety benefits in operating as a control state, including **better regulation of products** in order to protect consumers. A jurisdiction operating a control system may ban or restrict a product, such as grain alcohol or alcoholic energy drinks, for several reasons, including the acts of marketing these products toward underage consumers or promoting social irresponsibility.<sup>8</sup> Further, a recent study that looked at control states' alcohol policy environments found that states with higher alcohol policy scores (APS) have fewer alcohol-related harms.<sup>9</sup> Those living in control states also have **decreased odds of drinking**, and more controlled alcohol policies are associated with **decreased odds of individuals experiencing consequences of alcohol**, including vehicle crashes.<sup>10</sup> The more controlled a state's alcohol policies are, the lower the individual odds of alcohol being involved in a fatal car crash. Additionally, these policies, including the control system, may help in protecting adults from alcohol-related crash fatalities, in which blood alcohol content levels are below 0.08.<sup>11</sup> For children, adolescents and young adults, control policies on alcohol are similarly associated with **fewer crash fatalities**.<sup>12</sup>

About **one-third of states operate a control model system**, which helps uphold the three-tier system, an essential regulatory tool to promote a balanced and fair marketplace. The benefits afforded to residents of states that operate the control model are central to its continued success. These benefits not only include increased public health and safety, but also an increase in revenue for jurisdictions. In Virginia, **ABC provides enforcement, education and prevention programs** and other efforts that are easily streamlined due to its ability to monitor the sale of alcohol statewide. Each year, per the Code of Virginia, Virginia ABC delivers earnings to the commonwealth's general fund for designated state education, health, human resources and public safety programs and services for its citizens.<sup>13</sup> During Fiscal Year 2021, ABC contributed a total of \$616.4 million, an increase of \$71.1 million over the previous year, bringing the total contributions to Virginia's general fund to more than \$2.6 billion in the last five years.

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